

Introduction

I am pleased to meet with you today and look forward to discussing Iraq's progress toward democracy. Specifically, I propose to outline for you our approach to supporting Iraq's transition.

In simple terms, our goal is to help Iraq become a democratic, prosperous and stable nation. We have developed a comprehensive strategy to achieve that goal. This strategy calls for us to provide the Iraqis with the tools necessary to defeat the insurgency, complete the political transition, and create an economic foundation for future growth. The key adjective to describe our strategy is "integrated." We are working with the Iraqis to achieve forward progress in three areas: the security, political, and economic dimensions of Iraq's transition. These three areas are interdependent -- progress in one area reinforces progress in the other areas. We are moving actively to train, equip and field the Iraqi security forces. We are energetically promoting an inclusive political process respectful of human rights and grounded in the rule of law. We are helping restore Iraq's infrastructure in order to meet demand for essential services, and providing counsel to facilitate Iraq's reintegration into the international economy. Thus, the Administration is fully engaged at all levels to promote implementation of our National Strategy for Supporting Iraq. The Iraqi people are in the forefront of this effort, putting their lives at risk each day to create a new Iraq.

Role of Special Advisor and Policy Coordinator

As you may know, early this year Secretary Rice appointed me to be her Senior Advisor and Coordinator for Iraq Policy. Following Iraq's successful elections in January, Secretary Rice sought to capitalize on the positive momentum created by that historic event to accelerate the transition within Iraq, and to expand our partnership with the international community in support of the newly elected government. Consequently, I have focused my efforts on two tasks. First, I have served as a coordinator within the U.S. government, to ensure American support for Iraq effectively supports the political transition and economic reconstruction. Second, I have engaged with many foreign governments in an effort to build international support for Iraq's Transitional Government.

Political Transition

With your permission, I would like to elaborate on these efforts. As many of you know, I served in Iraq as the Chief Policy Officer and Deputy Administrator of the Coalition Provisional Authority. I was present in Baghdad during the Iraqi negotiations that led to the adoption of the Transitional Administrative Law, or TAL, in March 2004. Among its many achievements, the TAL lays out a clear political path for Iraq's transition to full democracy. As Prime Minister Ibrahim al-Ja'afari stated clearly when he was in Washington last week, the Iraqi leaders and the Iraqi people are committed to following that path, and, as President Bush responded, Americans will be steadfast in their support for that transition.

In that regard, this year is pivotal. It began, as I mentioned above, with the January 30 elections, in which 8.5 million Iraqis participated in their country's first democratic elections in living memory, electing a 275-member Transitional National Assembly (TNA). The Assembly, in turn, elected a Presidency Council, that is, a President and two deputy presidents, with equal legal powers. The Presidency Council then appointed a Prime Minister, who subsequently formed a cabinet of more than 30 ministers.

The next critical milestone on the political path is August 15, by which time the TNA is scheduled to have completed a draft constitution. Over the past two months, the Iraqi leadership has been working to finalize the membership of a constitutional committee charged with preparing the draft. The original committee of 55 persons only had two members from the Sunni Arab community. This was clearly insufficiently representative of that important Iraqi polity and recognized to be so by Iraq political leaders of all factions. Following intense discussions, the Iraqis last week achieved a formula that expands the membership of the committee and satisfactorily addresses the imperative for an inclusive process representative of all of Iraq's various communities. Even while the details of creating a more inclusive committee were under discussion, preparatory work began to block out portions of the text and to identify key issues. This augurs for rapid progress once the constitutional committee becomes complete. Of course, in the end, the legitimacy of the constitution will depend crucially upon the inclusion of a broad range of credible Iraqi voices.

These voices must be heard, because, once approved, the draft constitution will be put to a national referendum on October 15. If approved, elections for a permanent government under that constitution will be held on December 15, with the new government scheduled to assume office no later than December 31. It is in Iraq's best interest to honor the timeline contained in the TAL to maintain forward momentum in the political process. Against all odds, Iraqi leaders have consistently met the deadlines first agreed to on November 15, 2003, beginning with the TAL itself, the recovery of sovereignty, democratic elections on January 30, and the formation of a transitional government. Our diplomacy is geared toward helping the Iraqis continue to meet these deadlines.

Despite these significant accomplishments on the path toward political transition, real challenges remain. Generally speaking, Iraq needs to move from ethnic to issue-based politics. This evolution will require national political dialogue among Shi'a, Sunni, and Kurdish groups and the involvement of other minority populations. Although Iraqi officials have repeatedly stated they are committed to the TAL deadlines, several controversial areas may prove challenging for the committee charged with drafting the constitution. These include: the role of Islam and other religions; the nature of Iraqi federalism; the distribution of revenues from natural resources; and the future status of the city of Kirkuk.

To support the constitutional process, we have been providing assistance to groups such as the National Democratic Institute, the International Republican Institute, IFES, and the U.S. Institute for Peace. These organizations are working with Iraqis to provide technical

assistance in all aspects of political development. At the recent International Conference in Brussels, many countries indicated an interest in helping to support this process. The UN has a key responsibility in this vein and has already been providing significant support, as it did for the successful elections in January. Nonetheless, as the summer goes on, the UN will need to accelerate its activities and make good use of this international good will by coordinating the various proposed efforts. While it is up to the Iraqis to write their constitution, we have urged them to rely heavily on the principles of the TAL related to human rights, including the rights of women and religious minorities, in doing so.

Economic Reconstruction

To support Iraq's transition to democracy, the Congress generously appropriated \$2.5 billion in April 2003 and \$18.4 billion in November 2004 for the Iraq Relief and Reconstruction Fund (IRRF). These funds have been used to build a foundation for a new Iraq. During the last two years, we have used the IRRF to support the training and equipping of security forces; the renovation, construction, and equipping of thousands of health clinics, hospitals, and schools; the reconstruction and modernization of the energy, transportation, and other sectors fundamental to the economic transformation of the economy; and many other democratic institution-building and assistance programs. These funds represent a generous U.S. contribution to Iraq's reconstruction and the well-being of the Iraqi people, but they form only a down payment on the support Iraq needs from the international community and from its own resources to repair infrastructure and an economy devastated by decades of mismanagement, tyranny and war.

We have adapted IRRF spending to the evolving needs of Iraq and in response to changing external requirements and constraints. Initially, we emphasized the reconstruction of basic elements of Iraq's pre-war infrastructure, with the immediate goal of restoring essential services such as electricity, water, health, oil production, education, roads, and telecommunications. Beginning last fall, however, greater emphasis was placed on the urgent political priorities, such as technical support for the January 2005 elections, the formation of the transitional government, the constitutional referendum and subsequent national elections, and the standing up of the security forces to enable Iraq to assume increasing responsibility for its own security. The use of IRRF funds in support of the self-sufficiency of Iraq's security forces of course reinforces the successful completion of the political process. Lately, we have begun transitioning the way we contract, in an effort to reduce the proportion of our assistance going to overhead and security expenditures, and to ensure sustainability of projects by coordinating more closely with Iraqi ministries and making greater recourse to Iraqi contractors and expertise.

We have also begun using IRRF funds to strengthen Iraq's judicial system, including funding the construction of courts, police stations and prison facilities; the provision of judicial security and training programs to increase prosecutorial capacity, rule of law education, anti-corruption; support to the Central Criminal Court of Iraq; and technical advice to foster the integration of the justice system. The security we are working so

hard to achieve on the ground will not be sustainable without these key elements of a society based on the rule of law.

IRRF funds are still being targeted to increase the output of electricity and fuel, a result that will facilitate the further development of the Iraqi economy and respond to the concerns of the Iraqi people. However, a combination of factors has limited a swift achievement of Iraq's goals on electrical power. These include skyrocketing demand, insurgent attacks on the infrastructure, a weak culture of operations and maintenance, and insufficient coordination among Iraqi ministries. Nonetheless, we believe Iraq now has a sustainable base generating capacity, and that future additions will help meet the rising demand. This is a complex problem which will require continuous attention. Policy reform and good business and engineering practices will also be critical to Iraq's success.

With the establishment of the Iraqi Interim Government in June 2004 and the formation of the Iraqi Transitional Government in May of this year, Iraqi ministries have gradually become full partners in reconstruction and development planning. The next step is for the elected government and private sector to employ Iraq's own revenues and assistance from other governments and multilateral institutions in a comprehensive strategy for economic development.

One positive example of such synergistic funding is the telecom sector, where both the IRRF and the private sector have played important roles. For example, an IRRF investment of more than \$370 million has led to the following developments:

IRRF monies supported USAID's work in replacing 13 telephone switches in Baghdad area and elsewhere in the country, leading to an increase in the number of landline telephone subscribers -- from pre-war levels of 833,000 to approximately one million subscribers. This work also enabled the restoration of international calling service.

IRRF monies also have been used to establish an Advanced First Responder Network for Iraqi police, fire, and emergency medical personnel. The system was partially operational in Baghdad for the January elections, and is scheduled to be fully operational in sixteen strategic cities by the December elections.

Due to investment of more than \$400 million by the private sector, Iraq now has 2.7 million cellular-phone subscribers. There has been a similar explosion in Internet services. Limited to Baathist officials prior to the war, Iraq now has more than 2,000 Internet cafes throughout the country. A state-owned internet service provider has 17,000 subscribers.

Developments such as these in the telecom sector will foster Iraq's reintegration into the world economy.

To sustain the momentum created by the IRRF, the Administration opposes cuts to assistance for Iraq. Additional assistance to Iraq, together with diplomacy and defense, is essential to Iraq's democratic transition. The \$459 million included in the President's request will continue work already begun under programs funded by the Iraq Relief and Reconstruction Fund. The request will assist the new Iraqi government in delivering basic services to its people, developing a free market system, and helping Iraqi refugees return to their homes and reintegrate into Iraqi society. These funds will also continue programs in support of the new Iraqi government as it undertakes its responsibilities and the difficult transition to democracy.

A Renewed International Partnership

In addition to supporting the political transition and economic reconstruction taking place inside Iraq, we have also been working to build a renewed international partnership to include those countries which did not support the war but are now willing to assist the democratically-elected government. During President Bush's February 2005 visit to Brussels, the United States and the European Union offered, if Iraq so requested, to co-host an international conference to provide a venue for the Iraqi Transitional Government to engage with the international community and to present its plans as well as its areas of need. Following its formation, the ITG made such a request. On June 22 more than 80 governments and institutions -- including the United Nations and NATO -- met in Brussels to hear the ITG discuss its vision, strategies, and priorities for Iraq's transition. The ITG send a large delegation, including key ministers, leaders of the Transitional National Assembly, members of the judiciary, and figures from civil society. The Steering Group that organized the conference is but one concrete example of the renewed international partnership that we and Iraq are now building; the group included the United States, the EU, the UN, Egypt, Russia, and Japan, as well as Iraq.

The conference was structured around the three themes outlined in UN Security Council Resolution 1546: the political process; economic challenges and reconstruction; and public order and rule of law. Secretary Rice led the U.S. delegation and co-chaired the session on public order and rule of law. With your permission, I would like to quote from her final statement at the conference:

"We have had an opportunity as an international community to hear from this fine team of Iraqis about their aspirations, about their ambitions, and about their needs as they move forward. We are witnessing as an international community the emergence of an Iraq free of tyranny, a great culture and a great people who are finally throwing off years and decades of tyranny and horror for their people to try and build a free and democratic future.... At some time in the histories of each and every country around this table, somebody had to help as other countries emerged from tyranny into democracy, as they defeated fascism on the continent of Europe with the help of others. At some time, each and every one of us needed the help of others. The Iraqi people now need our help. Because they need our help and because they have spoken so clearly and so directly, we know what it is that we need to do. And I just want to encourage each and every country at this table that has spoken about the obligation, that has spoken about our ambitions,

and that has spoken about what we are willing to do, that we will now go and do it. Because the Iraqi people have taken a great risk. They are a courageous people who are working toward democracy and freedom. Let us support them fully and wholeheartedly."

At Brussels, the international community sent Iraq a clear message that is: "We support your transition to a democracy." This political message of unity from the international community is a significant development for U.S. policy in Iraq. The participants also committed to follow-up on their pledges of tangible support for Iraq. The next international meeting will be a donors' conference to be held in Amman, Jordan, on July 18-19. The meeting in Amman is actually the fourth in a series of meetings of the donor community (the previous meetings were in Abu Dhabi, Doha, and Tokyo) following the October 2003 Madrid donors' conference. These donors have been overseeing \$13.5 billion in assistance -- \$8 billion in assistance from foreign governments and \$5.5 billion in lending from the World Bank and the IMF -- pledged at the Madrid conference and scheduled to be disbursed between 2004 and 2007.

The upcoming meeting in Amman will be an opportunity for donor countries and international organizations to accelerate their coordination with the Iraqi government following the ITG's presentation of its priorities at Brussels. Another goal for the meeting is to inaugurate an Iraqi-led donor coordination mechanism. This improved coordination, coupled with a sharper focus by the new government on Iraq's own priorities, will allow for more rapid disbursement of the international assistance. We will be working with Iraq and the donors to help them find innovative methods for achieving such an acceleration in disbursements.

Of course, appropriate Iraqi economic policies will be a key to success. Our intensive dialogue with Iraqi policymakers, including through our bilateral economic commission, is an essential vehicle for building support for such internal coordination and reform. In July we will hold the next in our series of high-level economic policy discussions when the Joint Commission on Reconstruction and Economic Development takes place. Iraq will be led by Finance Minister Ali Allawi accompanied by other key ministers. The U.S. delegation will be led by Deputy Secretary Robert Zoellick, who will be supported by an interagency team including senior economic officials.

Finally, the Administration remains committed to working with our partners in the military coalition. The coalition is currently reviewing how best to support training for the Iraqi security forces. We appreciate funding provided in the recently enacted FY05 Emergency Supplemental for assistance to our coalition partners in Iraq (and Afghanistan). These funds will enable the United States to support the equipment and budgetary challenges of coalition partners engaged in ongoing operations in the region.

Conclusion

None of us who have worked in Iraq or on Iraq policy in Washington are under any illusions about the magnitude of the task before the Iraqi people and their friends. It is important that we remain united and coordinated in support of Iraq's transition. We will

continue to ensure that our diplomacy and our financial resources are devoted to encouraging the political process and economic development, and depend on our heroic compatriots in the military to pursue the vital task of developing the self-sufficiency of the Iraqi security forces. Iraq is on the right path, and the American role in supporting this transition remains essential.

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